

## **PILOT Ad Hoc Committee**



**3:00 p.m.**

**Monday, September 12, 2016**

**Governmental Center - Second Floor Committee Room**

**400 Boardman Avenue**

**Traverse City, MI 49684**

**Posted and Published: September 9, 2016**

If you are planning to attend the meeting and you have a disability requiring any special assistance at the meeting, please notify the City Clerk, immediately.

The City of Traverse City does not discriminate on the basis of disability in the admission or access to, or treatment or employment in, its programs or activities. Penny Hill, Assistant City Manager, 400 Boardman Avenue, Traverse City, Michigan, 49684, 922-4440, TDD 922-4412, has been designated to coordinate compliance with the non-discrimination requirements contained in Section 35.107 of the Department of Justice Regulations. Information concerning the provisions of the Americans with Disabilities Act, and the rights provided thereunder, are available from the ADA Coordinator.

**Ad Hoc Committee Members:**

Commissioner Gary Howe, Chairperson  
Commissioner Brian Haas, Recording Secretary  
Commissioner Richard Lewis

Penny Hill, Assistant City Manager

400 Boardman Avenue

Traverse City, MI 49684

(231) 922-4440

Email: [phill@traversecitymi.gov](mailto:phill@traversecitymi.gov)

Web: [www.traversecitymi.gov](http://www.traversecitymi.gov)

**The purpose of the Ad Hoc Committee is to develop a proposed policy (regarding PILOT, Payment in Lieu of Taxes) and develop actions steps for other recommendations from the Joint Housing Task Force Report from April, 2015.**

### **Agenda**

1. Roll Call
2. Approval of Minutes: August 8, 2016 Meeting
3. Review of Draft PILOT Policy/Procedure/Scoring Matrix
4. Discussion on Joint Housing Task Force Report (April 16, 2015)
5. Public Comment
6. Task Review
7. Adjournment – Next Meeting

TO: Gary Howe, Chairperson  
FROM: Katie Zeits, Deputy City Clerk  
RE: Outline to follow during meeting

The City Clerk or Deputy City Clerk do not have to be in attendance at Ad Hoc Committee meetings to take minutes. However, if not, then please complete the following; and I will be glad to draft the minutes for you. I remain at your service to attend or not to attend, whatever you choose.

Date of Meeting: 8/8/14  
Starting time: 3:00pm.  
Name of board: Pilot Review Ad Hoc Committee  
Meeting Location: Second Floor Committee Room

1. Please place a check mark next to the Ad Hoc Committee Members in attendance.

X Gary Howe                      X Brian Haas  
X Richard Lewis

2. Consideration of: minutes → approved.

3. Consideration of: address proposed changes to Policy and procedures.

4. Consideration of: Matrix review and proposed changes.  
- Request extension of ad hoc - 60 days. (passed)


5. Public Comment. (Indicate Below)

Judy Nelson - general comments

4:04 Ending Time.

Brian Haas  
Designated Secretary

**PLEASE RETURN THIS TO THE DEPUTY CITY CLERK WHEN COMPLETED!**

	<b>CITY OF TRAVERSE CITY</b>	POLICY NO: CC-055
	POLICY TITLE: PAYMENT IN LIEU OF TAXES (PILOT)	SUBMITTED BY: PILOT Ad Hoc Committee.
		APPROVED BY:
Adopted Date: Effective Date: Supersedes No: Procedure Reference No: CC-055 Page 1 of 3		HISTORY: Initial Adoption Date: Amended Date: Amended Date:

I hereby certify that this Policy was adopted by the City Commission of the City of Traverse City at its Regular Meeting held on \_\_\_\_\_, 2016, in the Commission Chambers, Governmental Center, 400 Boardman Avenue, Traverse City Michigan.

\_\_\_\_\_  
 Benjamin Marentette, MMC, City Clerk


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I. Purpose:

The purpose of this policy is to administer the Traverse City Code of Ordinances Chapter 881, which establishes a class of housing developments pursuant to State Housing Development Authority Act of 1966 (1966 PA 346, as amended; MCL 125.1401 et seq.; MSA 16.114(1) et seq.) which are exempt from payment of property taxes, and as an in lieu thereof pay a service charge. It is acknowledged that it is a proper public purpose of the State of Michigan and its political subdivisions to provide housing for its citizens of low income and to encourage development of such housing by providing for a service charge, in lieu of property taxes, in accordance with State Housing Development Act of 1966. City of Traverse City is authorized by this Act to establish or change the service charge to be paid in lieu of taxes (PILOT) by any or all classes of housing exempt from taxation under this Act at any amount it chooses, but not to exceed taxes that would be paid by for if not for this Act.

It is further acknowledged that such housing for persons of low income is a public necessity, and as the City of Traverse City will be benefited and improved by such housing, the encouragement of the same by providing certain real estate tax exemption for such housing is a valid public purpose. Further, that the continuance of the provisions of this article for tax exemption and the service charge in lieu of taxes during the period contemplated in this article are essential to the determination of economic feasibility of this housing development, which will be constructed and financed in reliance on such tax exemption.



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~~It is further acknowledged that while this housing is a public necessity, so too is the proper development of the community in general.~~ It is the duty of the City Commission, with help from the City Planning Commission, that this community is developed in a manner consistent with the adopted Comprehensive (Master) Plan. Therefore, each application must be considered for its consistency with the overall goals and objectives of the future planning and development for the City of Traverse City. The existence of this policy and the Tax Exemption Ordinance in no way infers a right to such tax exemption, and the City Commission's action on each application is within its discretion.

#### II. Additional Authority

- State Housing Development Authority Act of 1966 (1966 PA 346, as amended; MCL 125.1401 et seq.; MSA 16.114(1) et seq.)
- Traverse City Code of Ordinances Chapter 880 - Tax Exemptions
- Traverse City Code of Ordinances Chapter 881 - Low Income Housing Tax Exemption
- Traverse City Code of Ordinances Chapter 1376 – Affordable Housing Standards


#### III. Scope/Applies to

This policy applies to the City Commission for the City of Traverse City, and to all City Departments responsible for reviewing requests for a Payment in Lieu of Taxes arrangement and making recommendations to the City Commission for the City of Traverse City regarding same.

#### IV. Responsibility

The City Manager is responsible for the implementation of this policy and for the development of and administration of the accompanying procedure.

#### V. Definitions/Acronyms

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Procedure Reference No: CC-055		Amended Date:
Page 3 of 3		

**Guarantor.** a person or entity that agrees to be responsible for another's debt or performance under a contract, if the other fails to pay or perform.

**Low-income or moderate income persons:** means families and persons who cannot afford to pay the amounts at which private enterprise, without federally-aided mortgages or loans from MSHDA, is providing a substantial supply of decent, safe, and sanitary housing and who fall within income limitations set in the State Housing Development Authority Act of 1966, as amended, or by MSHDA in its rules.

**MSHDA:** Michigan State Housing Development Authority

**PILOT:** Payment in Lieu of Tax


**Shelter Rents:** Gross potential rent (including all units, ~~not only rented units regardless of whether occupied or not~~) less the applicant's (not renter's) cost of electricity, heat, water, and sewer on an annual basis.

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#### VI. Policy Statement

The City of Traverse City places a high value on preserving the natural environment, affording a diversity of housing options, and providing opportunities for multi-modal transportation, which strengthens the City's long-term sustainability. It is the policy of the City of Traverse City that PILOT Agreements are granted to those entities who best demonstrate a shared value in these areas, through the development of a project that incorporates green building techniques, has a high percentage of affordable housing units, and is located near multi-modal transportation opportunities and close access to daily needs. It should be noted that PILOT Agreements granted by the City of Traverse City are not entitlements, but are reserved for projects that may not be financially feasible in the absence of the PILOT incentive, and/or to help achieve a public policy objective.

City employees responsible for reviewing requests for a PILOT arrangement and making recommendations to the City Commission for the City of Traverse City regarding same shall use Procedure No. CC-055 when considering requests for PILOT agreements.

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#### I. INITIAL APPLICATION; RENEWALS

*Initial applications and applications for renewal of an existing PILOT shall follow the process outlined herein. Applications for renewal shall be subject to a review of the previously granted PILOT based on \_\_\_\_\_, and may be granted an automatic, supplemental 25 points on the scoring matrix.*

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#### II. ELIGIBILITY

1. The applicant must be a nonprofit housing corporation, consumer housing cooperative, limited dividend housing corporation, mobile home park corporation or mobile home park association, and must be financed with a federally-aided or Michigan State Housing Development Authority (MSHDA) aided mortgage or advance or grant from MSHDA.
2. Any development project that is under construction at the time of application, excluding stabilization, site preparation, or utility work, is not eligible to apply for or to receive a PILOT.
3. To be eligible to apply for a PILOT, an applicant must own the property or have an option or other right to purchase the property under consideration.
4. To be eligible for a PILOT, residential or mixed-use projects must ~~reserve~~*consist of* a minimum of 20% of the units for affordable housing.

#### III. DEFINITIONS:

**Guarantor:** a person or entity that agrees to be legally responsible for another's debt or performance under a contract, if the other fails to pay or perform.



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***Low-income or moderate income persons:** means families and persons who cannot afford to pay the amounts at which private enterprise, without federally-aided mortgages or loans from MSHDA, is providing a substantial supply of decent, safe, and sanitary housing and who fall within income limitations set in the State Housing Development Authority Act of 1966, as amended, or by MSHDA in its rules.*


**MSHDA:** Michigan State Housing Development Authority

**PILOT:** Payment in Lieu of Tax

**Shelter Rents:** Gross potential rent (based on 100% occupancy) less the applicant's (not renter's) cost of electricity, **gasheat**, water, and sewer on an annual basis.

#### II./V. PROCEDURE

1. **Mandatory Pre-Submittal Conference:** A meeting with the City Manager, City Zoning Administrator, City Planner, City Engineer, City Treasurer and City Assessor must occur before submitting a PILOT application. This meeting is to acquaint all parties with the scope of the project and any related issues. This meeting also serves to familiarize the applicant with the PILOT process and policies.
2. **Submission of Application:** An application form must be completed and an application packet assembled based upon requirements as set forth below; and addressing any additional items discussed in the Pre-Submittal Conference. Application forms are available both on the City of Traverse City web site and at the City Clerk's Office. **A non-refundable application fee in an amount as set from time to time by the City Commission for the City of Traverse City, payable to the City of City of Traverse City, is due upon submission of the full application packet.**


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Incomplete applications will not be presented to the City Commission for review.

One original, five (5) copies, and an electronic version of the full application packet must be submitted no later than seven (7) weeks prior to a Regular City Commission meeting, typically held on the first and third Monday of each month. The applications should be delivered to: City Manager, City of Traverse City, 400 Boardman Avenue, Traverse City, MI 49684.

3. **City Staff Review:** City staff will review the submitted application for completeness, and will utilize the attached matrix to determine compatibility with City of Traverse City values. Matrix scores will serve as the basis for negotiating any PILOT agreement with the City. *During the staff review process, the City Manager may determineshall make a determination with respect to whether -that a Municipal Services Agreement (for reimbursement to the city for emergency services) and/or Development Agreement should be included as part of the project.* Only those projects with a score of 50 or greater will be forwarded to the City Commission for review. Within twenty-eight(28) days of receipt of the application, the City will either:
  - a. Forward the application to the City Commission with a recommendation for their consideration, or
  - b. send the application back to the requestor for additional information or clarification, or to improve their score, or
  - c. deny the application if eligibility requirements are not met
  
4. **City Commission Review:** For those applications forwarded to the City Commission, the City Clerk's office will forward the completed application packet along with the recommendation, and will schedule the request as an agenda item no earlier than twenty-eight (28) days after receipt of the completed application packet, so as to give the City Commission ample time for review of the application. The City Clerk's



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Adopted Date: Effective Date: Supersedes No: Policy Reference No: CC-055 Page 4 of 8		HISTORY: Initial Adoption Date: Amended Date: Amended Date:


office will prepare a proposed resolution regarding the request for PILOT and will notify applicant of the regular meeting at which the application will be considered. For the application to be considered by the City Commission, the applicant or the applicant's appointed representative must be present at the meeting.

5. **Approval:** If the project and PILOT application is approved by resolution of the City Commission, the City Clerk will submit it to the State of Michigan along with a certified copy of the resolution approving the PILOT. Additionally, the Clerk's Office will submit e-mailed, digital copies of the application packet and certified copies of the resolution approving the PILOT to:
  - a. City Manager
  - b. City Attorney
  - c. City Assessor
  - d. City Treasurer
  - e. City Engineer
  - f. City Planner

#### IV.V. APPLICATION REQUIREMENTS


Applicants must supply the following information and indicate if any items are not applicable to their project.

1. Applicant and Guarantors: Name, address, e-mail address and telephone number of the applying entity, and the legal entity that will own the project, if different from the applying entity. Name of applying entity's representatives, financial guarantors of the project, and name of principals of those entities, addresses, emails, and telephone numbers.
2. Background information about the applicant and guarantors, including development experience, if any, and all other relevant information the City may need to consider while reviewing the application. Describe the corporate or partnership structure. Include names and addresses of a minimum of three references who can confirm that the applicant

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has experience with mixed or multiple sources of funding, and development experience.


3. Describe the proposed Project. Include in this section the following:
  - a. Intended usage/target market
  - b. Economic impact
  - c. Environmental impact, including any measures taken to mitigate negative impact or improve the natural environment
  - d. Impact on City infrastructure, including transportation and utilities
  - e. Impact on City services
  - f. Square footage of the building and land area to be renovated
  - g. Architectural renderings, including number and types of units
  - h. Any other information needed to fully explain the project
4. Describe the marketing plan for the project, identifying the intended market. List the types of lessees anticipated. If the project is speculative, how long is full occupancy expected to take and who will manage the project?
5. Briefly describe the ownership and tax information for this Project. Include in this section the following:
  - a. State the location of the proposed project by street address and legal description
  - b. Name the property owner at the time of application submittal
  - c. If the Applicant does not presently own the property, attach a valid option to purchase the property
  - d. Describe any and all existing financing, options, and liens on the property
  - e. State the tax parcel number for all property involved with the Project and the current assessed value of the Property
  - f. Are any assessments presently under appeal? If so, describe the status of the appeal(s)
  - g. Will the Project result in the subdivision of any present tax parcel?
6. Provide a detailed development pro forma outlining proposed hard, soft, and financing costs associated with proposed development. Pro

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Adopted Date: Effective Date: Supersedes No: Policy Reference No: CC-055 Page 6 of 8		HISTORY: Initial Adoption Date: Amended Date: Amended Date:

forma must also identify all sources of financing and terms, including Applicant equity, construction and permanent financing and any government assistance. Proposals will contain detailed costs breakdowns.

7. Provide a detailed operating pro forma that will include all anticipated Major Revenues and Expenses for the full term of the requested PILOT.
8. Are changes proposed to the public space around the Project (Example; sidewalks, lighting, and planting)? If yes, describe.
9. State proposed time schedule for the Project including anticipated dates for the following:
  - a. Closing of the loan or contributing financing availability
  - b. First expenditure of funds with regard to the project
  - c. Anticipated date construction will begin
  - d. Anticipated completion date
10. Financial Background:
  - a. Attach current audited financial statements of the applicant and guarantors. If audited financial statements are unavailable, please submit non-audited statements
  - b. State the relationship any applicant or grantor has had with any accounting firm over the last five years and reason for change, if any
  - c. Give three credit references for the applicant.
11. Development Team: Name any of the following that will be involved with the Project (with addresses, e-mail addresses and phone numbers):
  - a. Applicant Primary Point of Contact
  - b. Architects and engineers.
  - c. Construction Project Manager
  - d. General Contractor for project
  - e. Other professionals




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Adopted Date: Effective Date: Supersedes No: Policy Reference No: CC-055 Page 7 of 8		HISTORY: Initial Adoption Date: Amended Date: Amended Date:

12. Please describe any potential conflicts of interest the applicant or any guarantor may have with any City Personnel or City Commission members.
13. Describe the following as to any applicant, guarantor, or other person involved with this project:
  - a. Any pending civil litigation involving this property or other business holdings
  - b. Any pending criminal proceeding involving this property or other business holdings
  - c. Any conviction, or other pending criminal matter, that is for any felony offense or any theft-related misdemeanor, involving this property or other business holdings
14. Include a copy of the completed MSHDA application for Low Income Housing Tax Credits within thirty (30) days of submittal to MSHDA.
15. Applicant or applicant's representatives must execute the following statement and provide it as part of the application.

#### **SIGNED STATEMENT**

**The following statement must be included along with a dated signature of the applicant or applicant's representatives.**

**This application is made to induce the City of Traverse City to grant financial incentives to the applicant. Applicant declares that all statements contained herein are true and correct. All information materially significant to the City of Traverse City in its consideration of the application is included. Applicant authorizes the City of Traverse City to investigation of its credit in connection with this application. Applicant acknowledges that it has reviewed descriptions of the City of Traverse City PILOT program for which it is applying and agrees to comply with those policies. Applicant specifically will pay all reasonable costs, fees, and expenses incurred by City of Traverse City whether or not the incentive is granted or project completed.**

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Policy Reference No: CC-055		
Page 8 of 8		

#### 16. FOIA PROTECTIONS OF CONFIDENTIAL MATERIAL

An applicant seeking Tax Exemption must file this application consistent with these PILOT policies and procedures approved by the City Commission. The City Commission acknowledges that any financial information received in connection with the application is sensitive information, and it therefore grants confidential status under the Freedom of Information Act for any financial information provided for use in considering this application. This status remains until an application is granted tax-exempt status.

#### 17. PILOT TERM AND PERCENTAGE CALCULATION

The maximum term of any tax exemption shall not exceed **35** *years* *Federal guidelines*. The maximum service charge to be paid in lieu of taxes shall not exceed the taxes which would be paid but for the project's eligibility for exemption by virtue of MCL 124.1401, et.seq.